

WAM AGREEMENT

The intent of the WAM Agreement with RJR is to actively promote and sell all RJR brands, to include the "Signature" Private Label product to WAM contracted retailers throughout 1996. The intent is to solidify programs/partnerships with existing WAM contracted retailers and service new WAM contracted retailers from WAM distributor's existing active customer base as of 12/31/95

The WAM/RJR Agreement is not intended for the WAM distributors to use any or all program elements to secure new WAM retail contracts from competing distributor's customer base. WAM/RJR test program measurement of performance must be limited to distributor's existing active customer base. Should it be determined that a WAM distributor used the RJR Program to actively pursue obtaining new retail customers from competing distributors, the WAM distributor will be disqualified from participation in the RJR Program.

The following guidelines, set forth below, will be utilized and monitored by RJR to ensure compliance with the WAM/RJR agreement:

- Each distributor to provide RJR account manager a printout of their active customer base as follows:
 - December 31, 1995
 - March 31, 1996
 - June 30, 1996
 - September 30, 1996
 - December 31, 1996
- For the purpose of allowing normal customer shifts, there will be a maximum of a 3% active customer base increase each quarter during 1996, not to exceed 10% increase from 12/31/95 to 12/31/96.

Example:

- **650 active customer base as of 12/31/95**
 - ① 1st Qtr. '96 - $650 \times 3\% = 19$ customers (allowable increase)
New base = 669
 - ② 2nd Qtr. '96 - $669 \times 3\% = 20$ customers (allowable increase)
New base = 689
 - ③ 3rd Qtr. '96 - $689 \times 3\% = 21$ customers (allowable increase)
New base = 710
 - ④ 4th Qtr. '96 - $710 \times 3\% = 21$ customers (allowable increase)
New base = 730
- 12/31/95 Base = 650
- 12/31/95 Base = 730
- Increase = 80
- **Maximum allowable for 1996 -- $650 \times 10\% = 65$ customers**

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WAM AGREEMENT (Continued)

Situations may arise throughout 1996 that may cause distributor's existing active customer base to increase outside the percentage guidelines set forth and these situations will be resolved at the sole discretion of RJR. Furthermore, any unique situation that arises will be resolved at the sole discretion of RJR.

Examples:

- Distributor servicing a portion of a retail chain's retail base: The chain requests one distributor to begin servicing all the chain's stores.
- A distributor secures a chain's business through normal business negotiations, RJR Program not part of negotiation.

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